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The Conference Board

COMMENT

Over the past few months, we have been saying in this space that economic expansion is gradually being boxed in by the twin deficits—in the Federal Government's budget and in international trade—and by the corrosive twin agents of rising real interest rates and an overvalued dollar in international-exchange markets. Sustained high operating rates should be added to this list of problems. The capacity utilization rate for advanced-processing manufacturers first went above the 80% mark in October, 1983, and has remained in the 80% to 85% range ever since. It was 82.2% in April, 1984. Business has historically found it very difficult to achieve a higher capacity-use rate than this for any length of time. The limited ability of firms to increase operating rates much beyond current levels acts as a constraint on the pace of economic expansion. That pace slowed significantly in the second quarter of 1984, as the transition from a consumer-led recovery to an investment-sustained expansion was completed. The outlook, then, is that the momentum of expansion will be gradually eroded over the next few quarters as these constraints result in a period of sluggish business conditions—but not a recession—in 1985.

The surge in consumer buying due to the release of pent-up demand appears to have come to an end. Retail sales, adjusted for inflation, grew very little in the first five months of this year, a marked contrast with the almost 1% per month gain sustained all through 1983. It is difficult to believe that the demand for furniture, appliances and cars, which was bottled up for three years from 1980 to 1982, was completely spent in that one year. A more likely explanation is that the consumer is once again waiting for the dust to settle before incurring the obligations tied to purchasing big-ticket items. Inflation has remained well in check. The real spending power of wages, however, has grown very slowly and consumer attitudes reflect skepticism about any acceleration in the rise of spending power in the near term.

For the past year, real disposable income has been rising at only about half the rate of consumer spending, and that growth is more attributable to big increases in employment than to gains in individual paychecks. As shown on the *Key Determinants of Profit Margins* chart, real compensation per hour has declined in the last four consecutive quarters even though price increases remained subdued.

With income growing at a much slower pace than consumer buying, many purchases were obviously financed with credit. As suggested by the steep rise in the *Consumer Installment Debt Expansion to Personal Income* ratio over the last year, consumers were telling opinion pollers that they felt very positive about continued strong economic expansion and endorsed that vote of confidence right on the bottom of the credit-card charge slip. More recent soundings from these attitude surveys show a little erosion in that strong vote of confidence. The Conference Board's *Consumer Confidence Index* first reached a level of 95.1 (1969-1970 = 100) in December, 1983. It has continued to hover around that level all through the first half of 1984. However, the *Expectation Index*, a component of the overall series, stood at 119.9 in December but then slowly cooled to 109.4 by May, 1984. Given that reduced vote of confidence in continued strong expansion, consumers will likely turn a little more cautious about incurring new debt obligations. That suggests that they will not step up their buying very much this Summer unless the real spending power of their paychecks begins to rise more sharply.

While the surge in consumer buying appears to be over at the moment, the boom in business investment seems to be in full swing. According to the Conference Board's *Capital Appropriations and Expenditures* survey, the nation's 1,000 largest manufacturers increased their appropriations sharply in the first quarter of 1984, the fourth consecutive strong quarterly rise. Spending plans rose by almost 60% cumulatively in this four-quarter span, excluding the volatile petroleum refining industry; hence, the backlog of already approved but as yet unexpended plans has risen dramatically. Thus, the surge in business investment has already successfully completed the first hurdles on the course toward modernizing and expanding productive capacity. Nor will the high level of borrowing costs take much wind out of the sails of this boomlet. Survey respondents said that they expect to step up their capital spending by a full 25% this year and be able to finance up to 90% of that out of internal cash flow—reflecting a strong recovery in profits and accelerated depreciation.

A flood of new orders for consumer goods and business equipment—and commitments to restock inventory—streaming into the industrial base is keeping production facilities hopping. Industrial production expanded by a sizable 1.1% in March, and 0.4% in April. One of the keys to expanding production despite a lack of idle resources has been continued good productivity growth.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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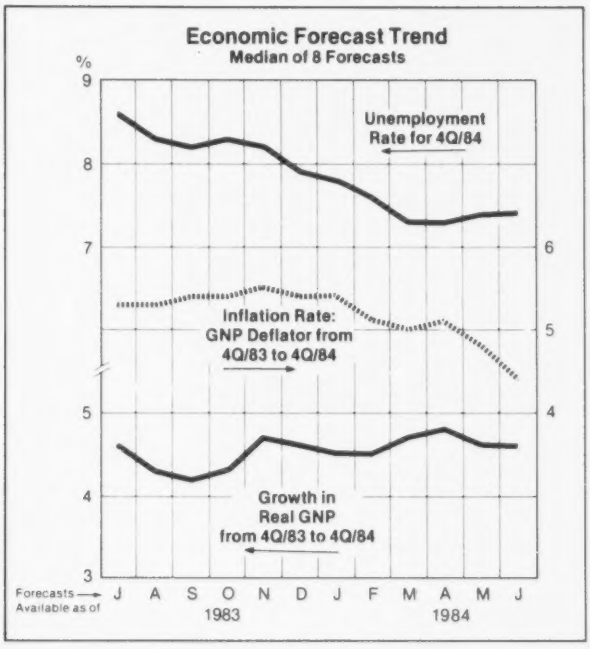


The data on *Key Determinants of Profit Margins* show that output per hour rose by annual rate of 1.9% in the first quarter of 1984, and it is very likely that it grew by that much, or perhaps even a little more, in the second quarter. Strong capital investment now is the key to maintaining productivity growth, which, in turn, helps to keep production rising and the economic expansion from peaking too soon.

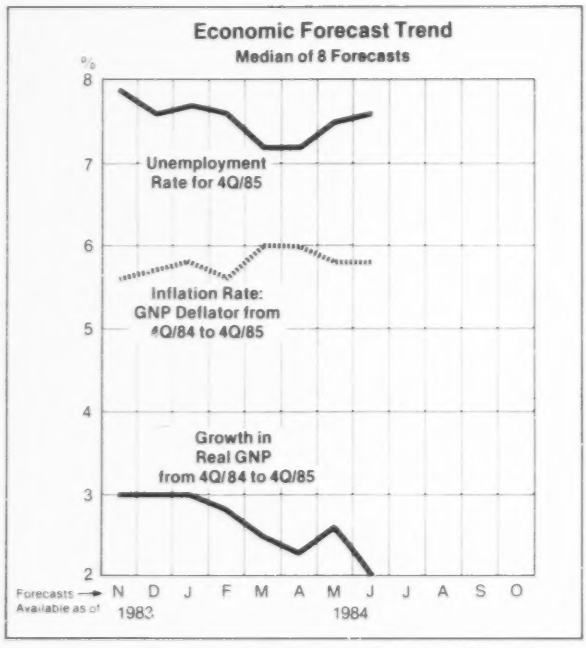
Real GNP grew by a seasonally adjusted 8.8% annual rate in the first quarter of 1984, but voluntary inventory buildup accounted for considerably more than half of that. Final sales (GNP less the change in inventory) rose at only a 3.2% rate. Anticipating a sharp cut in the rate of inventory accumulation, the *Economic Forecasts* for real output growth in the second quarter ranged from 2.3% to 5.2% in April, with a median forecast of 2.8 percent. In May, however, it became evident that while restocking of inventory had slowed from the torrid pace set at the beginning of the year, it was still quite active. The revised *Economic Forecasts* show a range of 2.0% to 5.2% for real growth in the second quarter, with the median moved up to 3.9 percent. Further, the forecasts indicate that that fairly strong pace of expansion will be maintained in the second half of the year, with median real output growth rates of 4.0% and 3.0% in the third and fourth quarters, respectively.

The *Economic Forecasts* indicate that the pace of expansion will slow considerably in 1985 due to the high level of interest rates (even if they do not rise any further this year), tax hikes (very likely to be enacted quickly when the new Congress convenes early next year), and some decline in the value of the dollar (which may not occur until late 1985). The median forecast for real growth slows to 2.4% in the first quarter of 1985, and to only 1.4% in the second quarter. Real GNP growth is then expected to recover to a 2.2% rate in the second half of 1985, and to about 3% in the first half of 1986.

The expected slower pace of activity implies that the unemployment rate is not going to decline very much from its current 7.5% level. The Conference Board's *Help-wanted Index*, which stood at 123 (1967 = 100) in February, had moved up only to 125 by April, and early returns suggest that it remained there in May. That flat trend in job advertising indicates that employers sense little need to seek out potential job applicants aggressively. The *Economic Forecasts* indicate that the unemployment rate will improve only to 7.3% by the first quarter of 1985, but then gradually move back toward 8% by the second quarter of 1986 (last quarter in the forecast horizon).

These economic projections of a sharply reduced rate of expansion reflect expectations of sustained monetary and fiscal restraint. That restraint is not likely to be relaxed while markets continue to reflect concern about a new outbreak of inflation. Raw material prices, including food prices, are presently rising at a 6% annual rate or less. The data on *Key Determinants of Profit Margins* show that unit labor costs rose by an annual rate of only 2.4% in the first quarter of 1984, and that was considerably more than experienced in the prior four quarters. Inflation, then, is not under pressure from rising costs for either material or labor and the likelihood is that significant cost pressure will not develop through the forecast horizon. The *Economic Forecasts* indicate that the GNP deflator, which rose by an annual rate of 3.7% in the first quarter of 1984, will be rising at a rate of about 5½% by the first quarter of 1985, and will reach 6.2% by the first quarter of 1986.

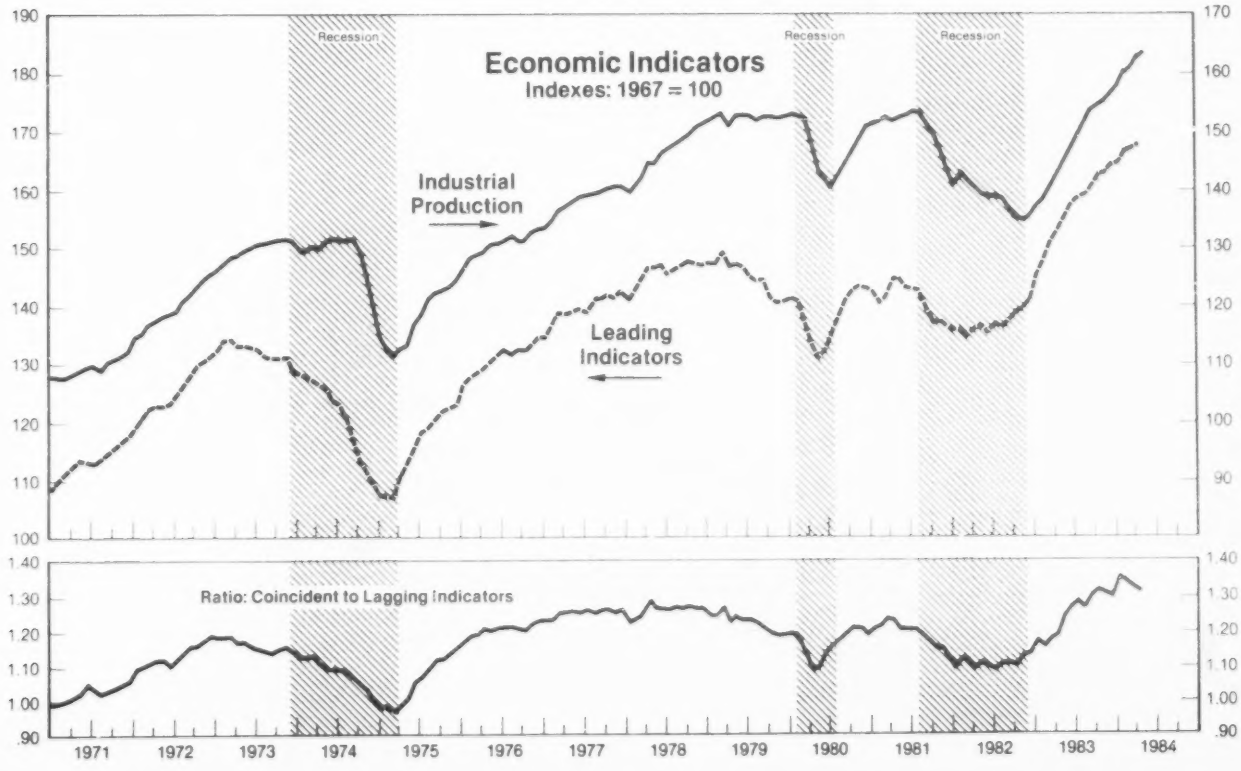
Ken Goldstein
June 12, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			+ 1.9%	+ 10.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.	X			+ 7.1%	+ 16.8%
New orders, nondefense capital goods (deflated)	Apr.		X		+ 0.6%	+ 11.4%
*New business formation	Apr.		X		+ 2.0%	+ 5.5%
*Housing permits	Apr.		X		— 2.3%	+ 13.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.			X	— 4.9%	+ 14.8%
*Change in inventory, on hand & order (deflated)	Mar.	X			+10.2%	+ 38.6%
Purchasing agents' buying policy	May			X	— 2 %	+ 9 %
*Vendor performance, reported slower deliveries	Apr.	X			+ 8 %	+ 19 %
Industrial raw materials prices	Apr	X			+ 2.1%	+ 15.1%
*Change in sensitive material prices	Apr.			X	— 0.4%	— 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.	X			+ 0.6%	+ 3.1%
Change in business loans	Apr.	X			+90.0%	+135.1%
*Change in credit outstanding	Mar.		X		+ 0.3%	+ 22.0%
Change in consumer installment debt	Mar.		X		+ 1.1%	+ 35.2%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 3.6%	+ 35.2%
*Common stock prices	May		X		+ 0.7%	— 3.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	May		X		+ 0.2hr	+ 0.7hr
*Initial unemployment claims (inverted)	May			X	+ 1.4%	+22.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



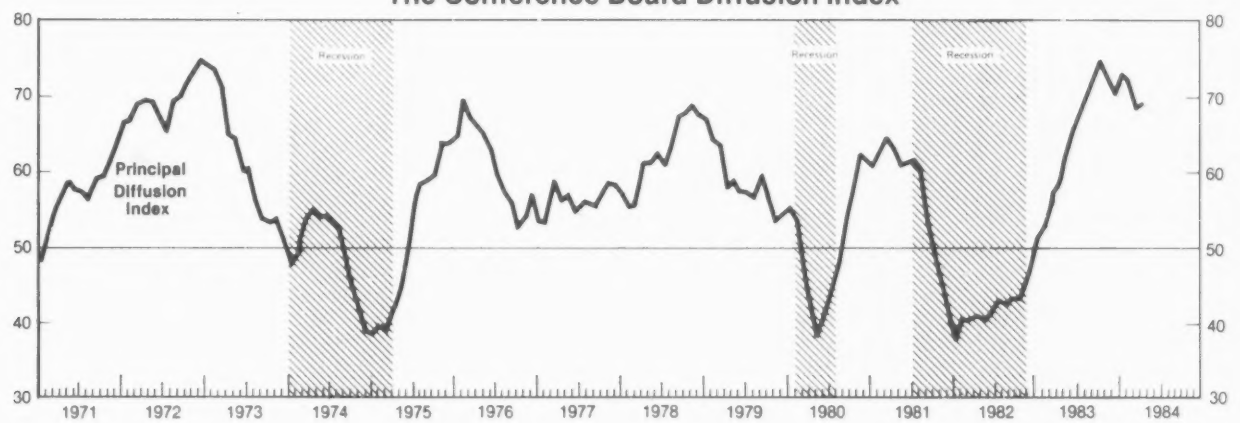
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Apr.	1984 Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	57.7	72.8r	72.1r	68.2r	68.9
Auxillary Diffusion Index	56.4	56.9r	47.8r	37.4r	52.4
Industrial Group	57.4	77.4	78.7r	74.9r	72.4
Nonindustrial Group	58.1	68.1r	65.5r	61.5r	65.5
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	58.5	63.0	62.0r	61.3r	66.2
Labor	54.0	84.7	86.3	78.1	75.3
Miscellaneous	64.1	80.8	84.6	87.2	74.4
Nonindustrial Subgroups					
Prices	66.0	68.6	57.7	63.5	69.2
Consumer	67.1	76.5r	75.6r	68.8r	73.1
Building	43.6	62.8	61.5	60.3r	58.3
Miscellaneous	53.4	62.8	63.2	53.8r	60.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981	*1982*				*1983*				*1984*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	43	47	52	55	60	70	76	75	74	70	65
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	26	23	30	38	44	65	76	82	80	76	75
2. Expectations for Economy, Six Months Ahead	51	59	64	65	70	76	78	74	73	67	60
Expectations for Own Industry, Six Months Ahead	52	58	61	61	65	70	72	69	70	67	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

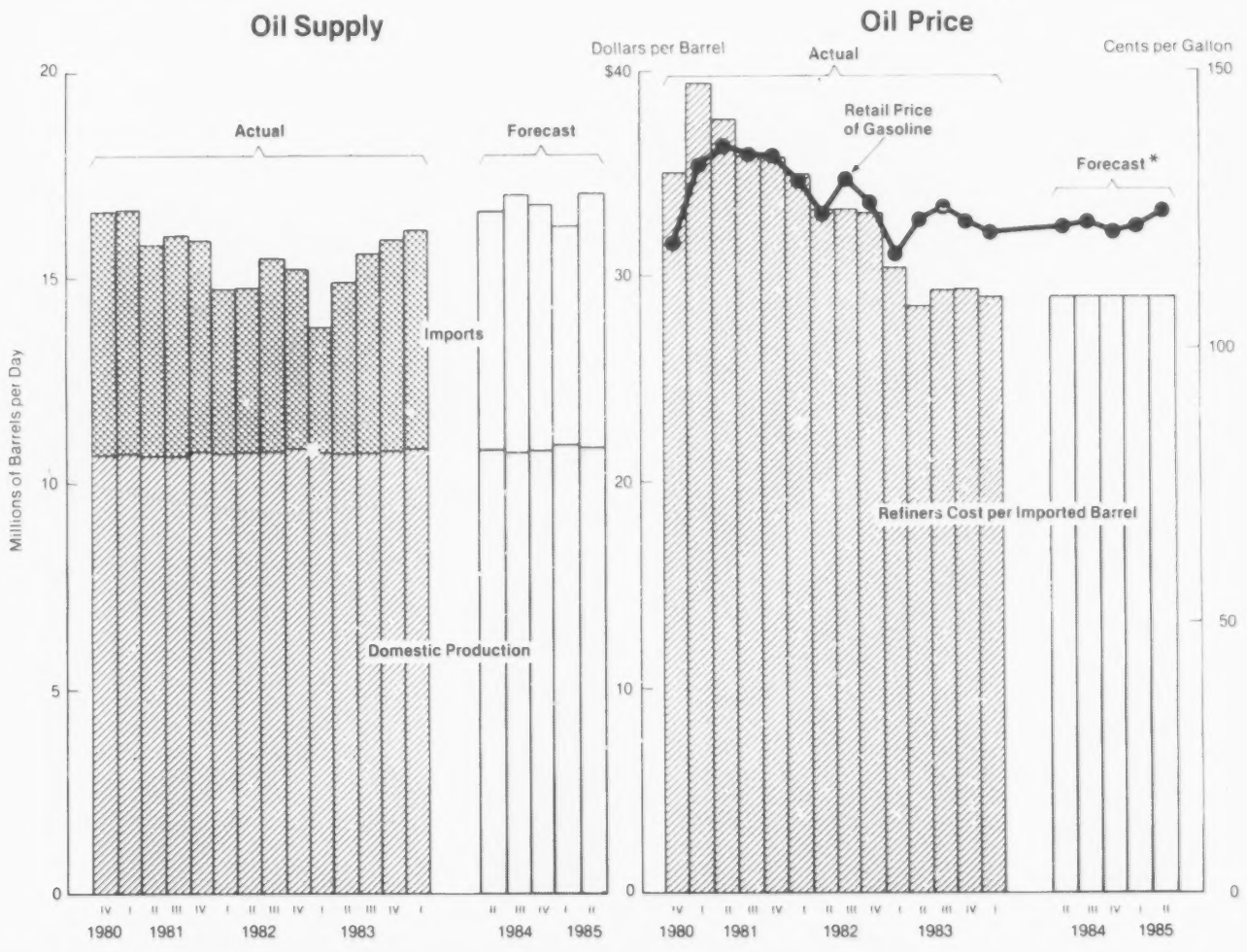
	1982		1983				1984	Percent Change From Previous Year		
	III	IV	I	II	III	IVr	Ip	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	18.439	21.488	20.176	20.633	22.200	25.170	27.880	-18	1	17
Capital expenditures	23.991	22.857	18.841	18.643	18.072	20.033	19.585	- 3	-23	25
Change in appropriations backlog*	- 8.726	- 3.395	- 0.716	+ 1.121	+ 1.008	+ 1.503	+ 6.330			
Durable Goods										
New appropriations	7.724	8.233	8.197	9.453	8.843	11.331	13.927	-24	17	6
Capital expenditures	9.684	8.949	7.918	7.655	7.594	8.919	8.620	- 7	-19	31
Change in appropriations backlog*	- 4.556	- 1.351	- 0.606	+ 1.291	+ 0.929	+ 1.112	+ 4.306			
Nondurable Goods										
New appropriations	11.215	13.250	11.979	11.180	13.357	13.839	13.953	-14	- 9	25
Capital expenditures	14.307	13.938	10.923	10.988	10.478	11.114	10.965	0	-26	21
Change in appropriations backlog*	- 4.170	- 2.044	- 0.110	- 0.170	+ 0.079	+ 0.391	+ 2.024			
ELECTRIC & GAS UTILITIES										
New appropriations	10.624	9.939	7.664	6.713	5.771	7.200	5.338			
Capital expenditures	8.905	9.384	9.041	9.292	9.043	8.366	8.703			
Change in appropriations backlog*	+ 0.504	- 4.709	- 4.812	- 7.024	- 3.925	- 3.758	- 4.832			

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

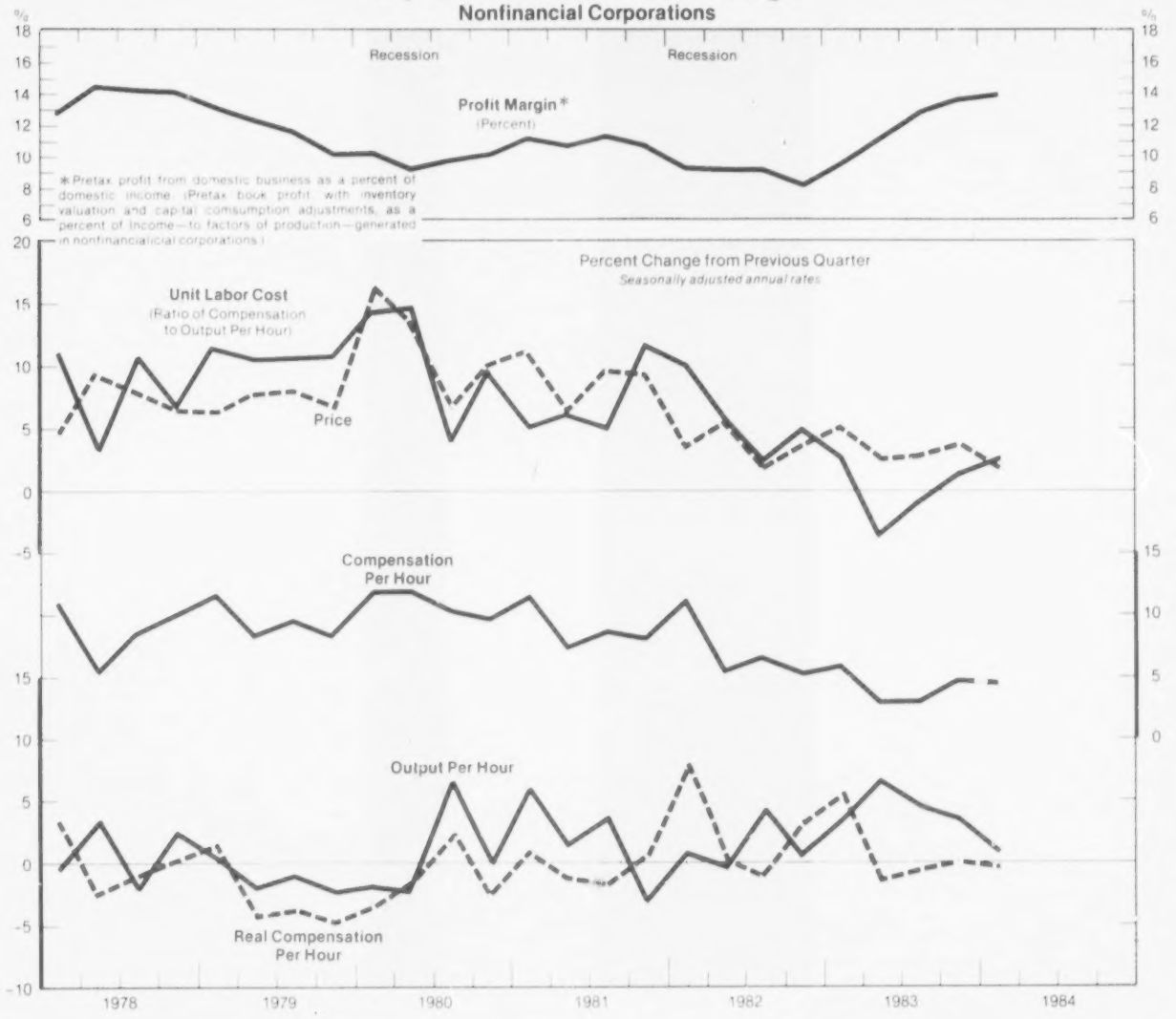
** Results based on survey respondents' expectations.



*Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin

Nonfinancial Corporations



Capacity Utilization Rates Manufacturing

Inventory-Sales Ratios

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ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*May, 1984*		*May, 1984*		*May, 1984*		*May, 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**
		II	3612.4	8.2	3601.9	7.0	3595.6	6.2	3627.3	10.0
		III	3686.1	8.4	3692.8	10.5	3658.5	7.2	3709.7	9.4
		IV	3752.4	7.4	3779.8	9.8	3734.6	8.6	3787.6	8.7
	1985	I	3821.0	7.5	3868.5	9.7	3841.5	12.0	3870.6	9.1
		II	3883.0	6.7	3949.5	8.6	3938.2	10.5	3956.6	9.2
		III	3958.8	8.0	4001.5	5.4	4036.1	10.3	4035.5	8.2
		IV	4047.3	9.2	4071.8	7.2	4132.8	9.9	4113.8	8.0
	1986	I	4137.2	9.2						
		II	4227.9	9.1						
	1984	Annual	3648.1	10.2	3654.0	10.4	3632.6	9.7	3666.6	10.8
	1985	Annual	3927.5	7.7	3972.8	8.7	3987.2	9.8	3994.1	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**
		II	1622.3	4.1	$1613.9	2.0	1616.0	2.5	1626.5	5.2
		III	1637.3	3.8	1630.3	4.1	1626.0	2.5	1642.9	4.1
		IV	1647.1	2.4	1643.7	3.3	1638.0	3.0	1654.7	2.9
	1985	I	1654.3	1.8	1662.2	4.6	1663.0	6.2	1665.7	2.7
		II	1659.4	1.2	1662.2	0.0	1683.0	4.9	1677.3	2.8
		III	1668.8	2.3	1659.1	-0.7	1703.0	4.8	1685.6	2.0
		IV	1680.3	2.8	1665.6	1.6	1722.0	4.5	1691.1	1.3
	1986	I	1691.5	2.7						
		II	1702.4	2.6						
	1984	Annual	1628.2	6.1	1623.5	5.7	1621.5	5.6	1632.5	6.3
	1985	Annual	1665.7	2.3	1662.3	2.4	1692.8	4.4	1679.9	2.9
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**
		II	222.7	4.0	223.2	4.9	222.5	3.6	223.0	4.6
		III	225.1	4.5	226.5	6.1	225.0	4.6	225.8	5.1
		IV	227.8	4.9	230.0	6.2	228.0	5.4	228.9	5.6
	1985	I	231.0	5.7	232.7	4.9	231.0	5.4	232.4	6.2
		II	234.0	5.3	237.6	8.6	234.0	5.3	235.9	6.2
		III	237.2	5.6	241.2	6.2	237.0	5.2	239.4	6.1
		IV	240.9	6.3	244.5	5.6	240.0	5.2	243.3	6.6
	1986	I	244.6	6.3						
		II	248.3	6.3						
	1984	Annual	224.0	3.9	225.0	4.4	224.0	3.9	224.6	4.2
	1985	Annual	235.8	5.2	239.0	6.2	235.5	5.1	237.7	5.9
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.7		7.6		7.6		7.6	
		III	7.5		7.4		7.4		7.5	
		IV	7.4		7.2		7.2		7.4	
	1985	I	7.5		7.2		7.0		7.2	
		II	7.6		7.3		6.9		7.1	
		III	7.7		7.6		6.8		7.0	
		IV	7.8		7.7		6.7		7.1	
	1986	I	7.8							
		II	7.9							
	1984	Annual	7.6		7.5		7.5		7.6	
	1985	Annual	7.6		7.5		6.9		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

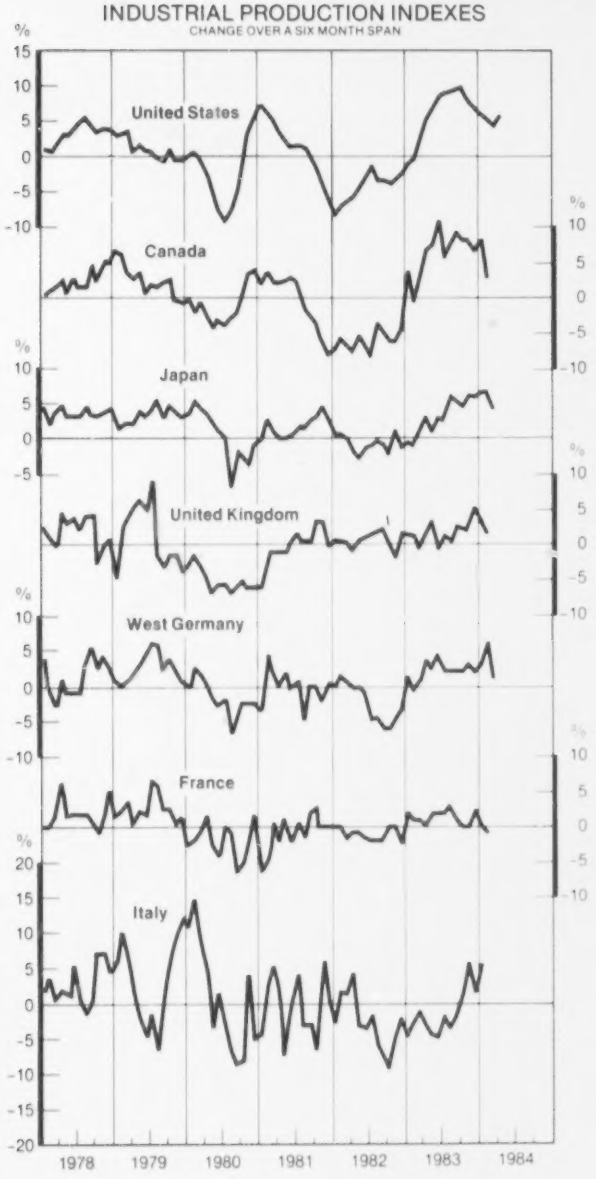
The Conference Board[1]		Chase Econometric Associates, Inc[1].		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1984		May, 1984		May, 1984		May, 1984		Date of Forecast		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3541.6	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	I	1984	Actual
3613.0	8.3	3599.6	6.7	3614.0	8.4	3616.7	8.8	II		
3690.0	8.8	3678.9	9.1	3686.4	8.3	3703.5	10.0	III		
3772.0	9.2	3756.9	8.8	3748.5	6.9	3783.2	8.9	IV		
3812.0	4.3	3832.1	8.3	3811.4	6.9	3868.6	9.3	I	1985	
3879.0	7.2	3883.2	5.4	3868.8	6.2	3934.4	7.0	II		
3994.0	12.4	3937.0	5.7	3941.2	7.7	3996.1	6.4	III		
4095.0	10.5	4012.2	7.9	4027.9	9.1	4054.7	6.0	IV		
		4118.7	11.0	4117.1	9.2	4096.0	4.1	I	1986	
		4221.8	10.4	4207.9	9.1	4145.9	5.0	II		
3654.2	10.4	3644.3	10.1	3647.6	10.2	3661.3	10.6	Annual	1984	
3945.0	8.0	3916.1	7.5	3912.3	7.3	3963.5	8.3	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1606.0	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	I	1984	Actual
1620.8	3.7	1618.6	3.2	1622.8	4.3	1622.3	4.1	II		
1634.1	3.3	1635.7	4.3	1637.2	3.6	1641.7	4.9	III		
1645.4	2.8	1651.0	3.8	1645.6	2.1	1657.1	3.8	IV		
1642.3	-0.8	1659.3	2.0	1651.9	1.5	1669.6	3.1	I	1985	
1648.8	1.6	1659.5	0.0	1656.6	1.1	1676.0	1.5	II		
1673.5	6.1	1660.5	0.2	1666.4	2.4	1680.0	1.0	III		
1690.5	4.1	1667.2	1.6	1679.2	3.1	1680.2	0.0	IV		
		1681.4	3.5	1692.3	3.2	1672.9	-1.7	I	1986	
		1697.6	3.9	1705.6	3.2	1671.9	-0.2	II		
1626.6	5.9	1627.8	6.0	1627.9	6.0	1631.8	6.3	Annual	1984	
1663.8	2.3	1661.6	2.1	1663.5	2.2	1676.5	2.7	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.5	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	I	1984	Actual
222.9	4.4	222.4	3.4	222.7	4.0	222.9	4.5	II		
225.8	5.3	224.9	4.6	225.2	4.5	225.6	4.8	III		
229.2	6.2	227.6	4.8	227.8	4.7	228.3	4.9	IV		
232.1	5.1	230.9	6.1	230.7	5.3	231.7	6.1	I	1985	
235.3	5.5	234.0	5.4	233.5	5.0	234.7	5.4	II		
238.7	5.9	237.1	5.4	236.5	5.2	237.9	5.4	III		
242.2	6.1	240.7	6.1	239.9	5.8	241.3	5.9	IV		
		245.0	7.3	243.3	5.8	244.8	6.0	I	1986	
		248.7	6.2	246.7	5.8	248.0	5.2	II		
224.6	4.2	223.8	3.8	224.0	3.9	224.3	4.1	Annual	1984	
237.1	5.5	235.7	5.3	235.2	5.0	236.4	5.4	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		I	1984	Actual
7.7		7.6		7.6		7.7		II		
7.6		7.4		7.5		7.5		III		
7.5		7.3		7.4		7.3		IV		
7.7		7.4		7.5		7.2		I	1985	
7.8		7.7		7.7		7.2		II		
7.5		8.1		7.8		7.3		III		
7.3		8.5		7.8		7.5		IV		
		8.6		7.8		7.8		I	1986	
		8.5		7.9		8.0		II		
7.7		7.5		7.6		7.6		Annual	1984	
7.6		7.9		7.7		7.3		Annual	1985	

Please Note. In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

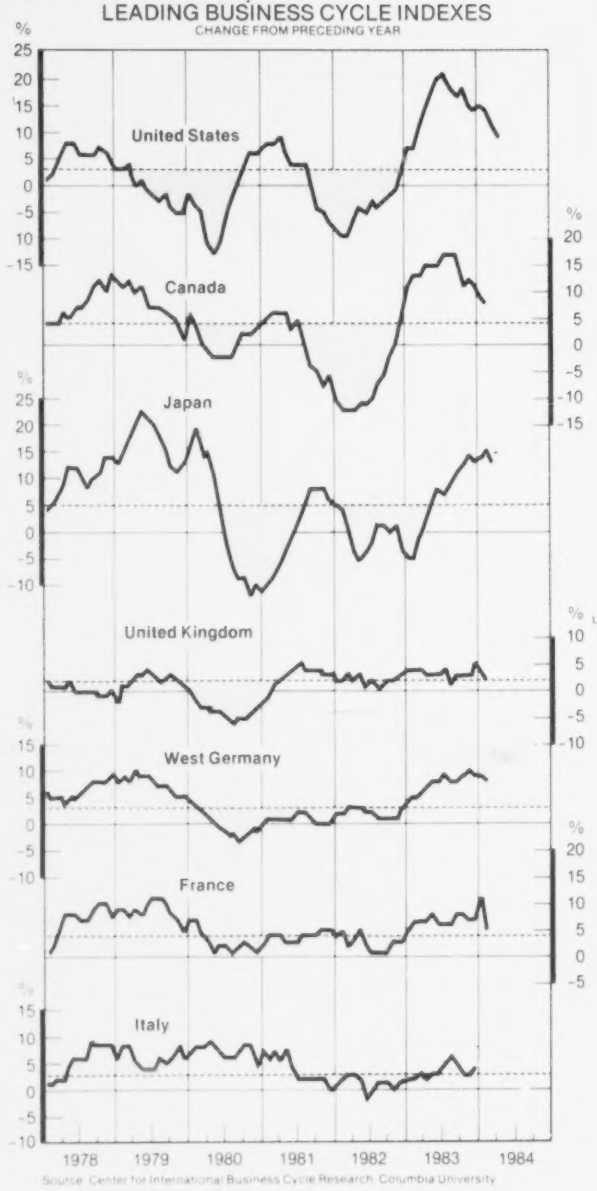
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR



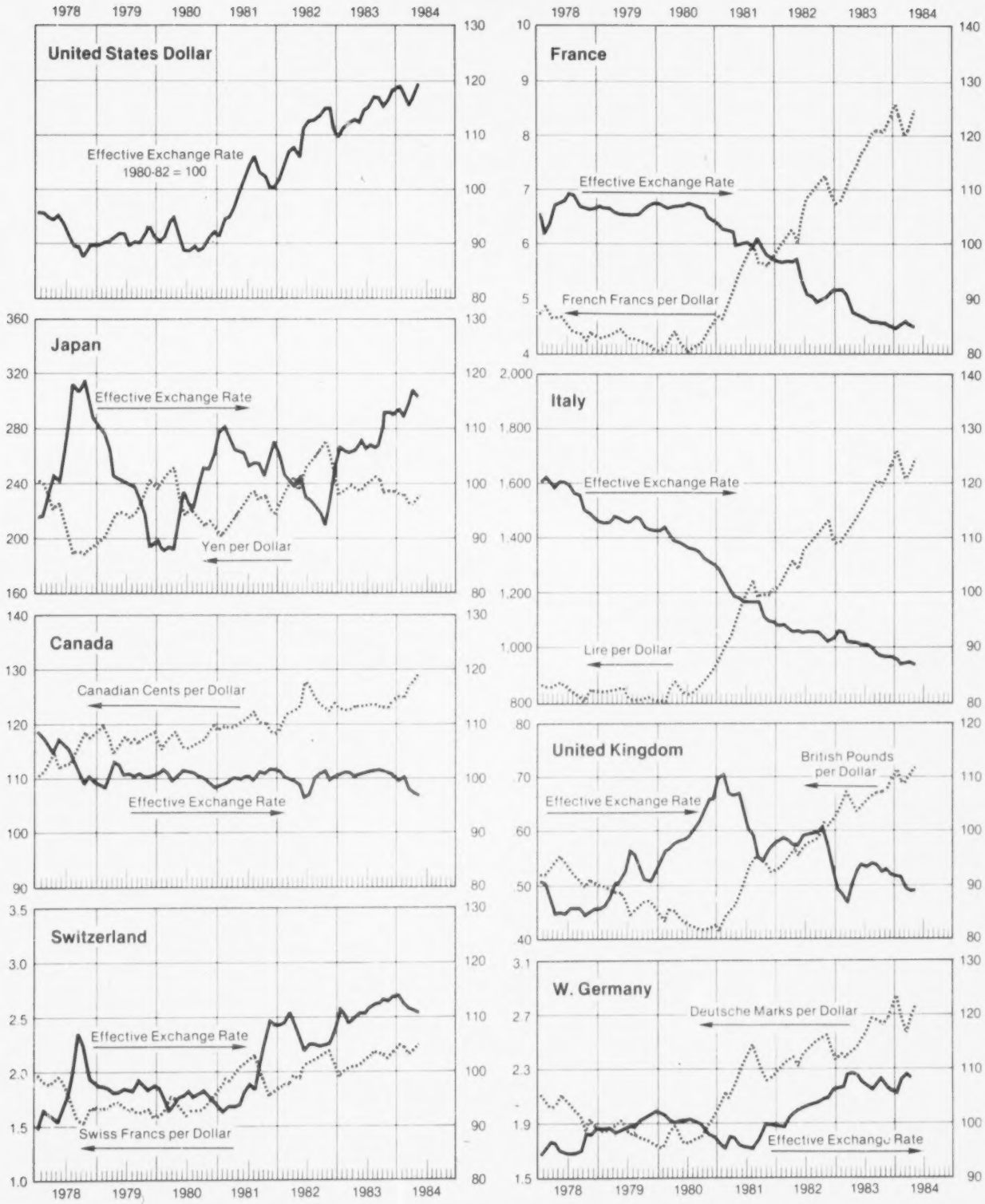
Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES

Foreign Exchange Rates

Indexes: 1980-82 = 100



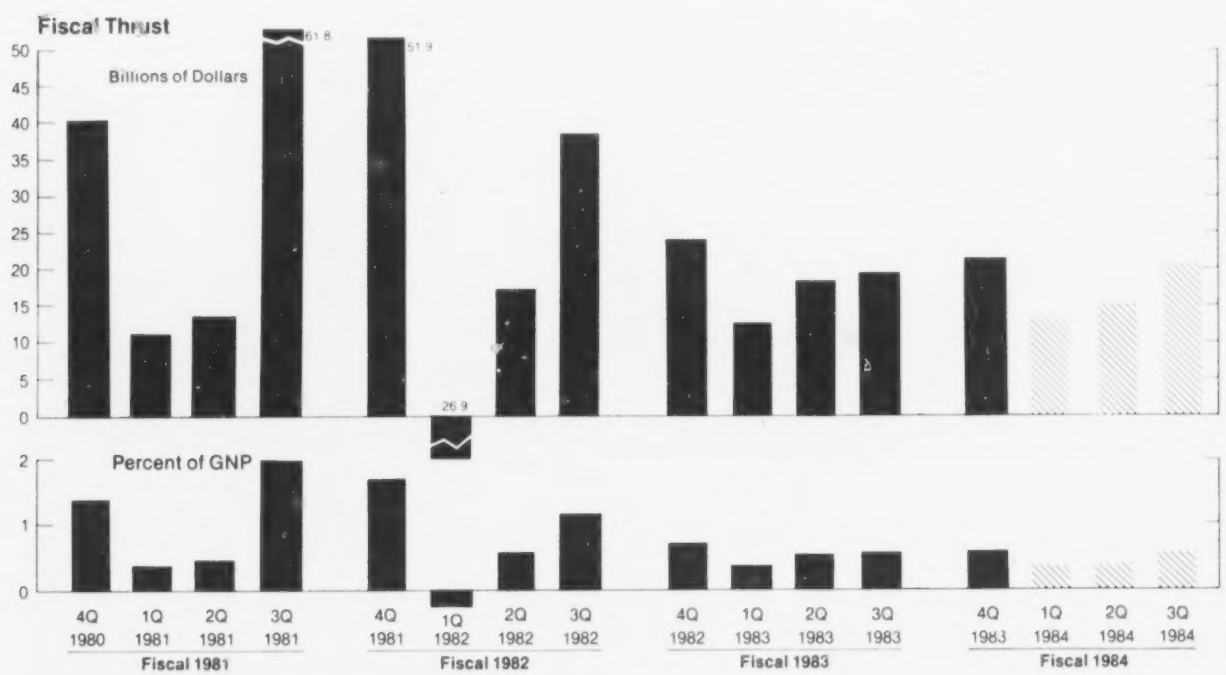
Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

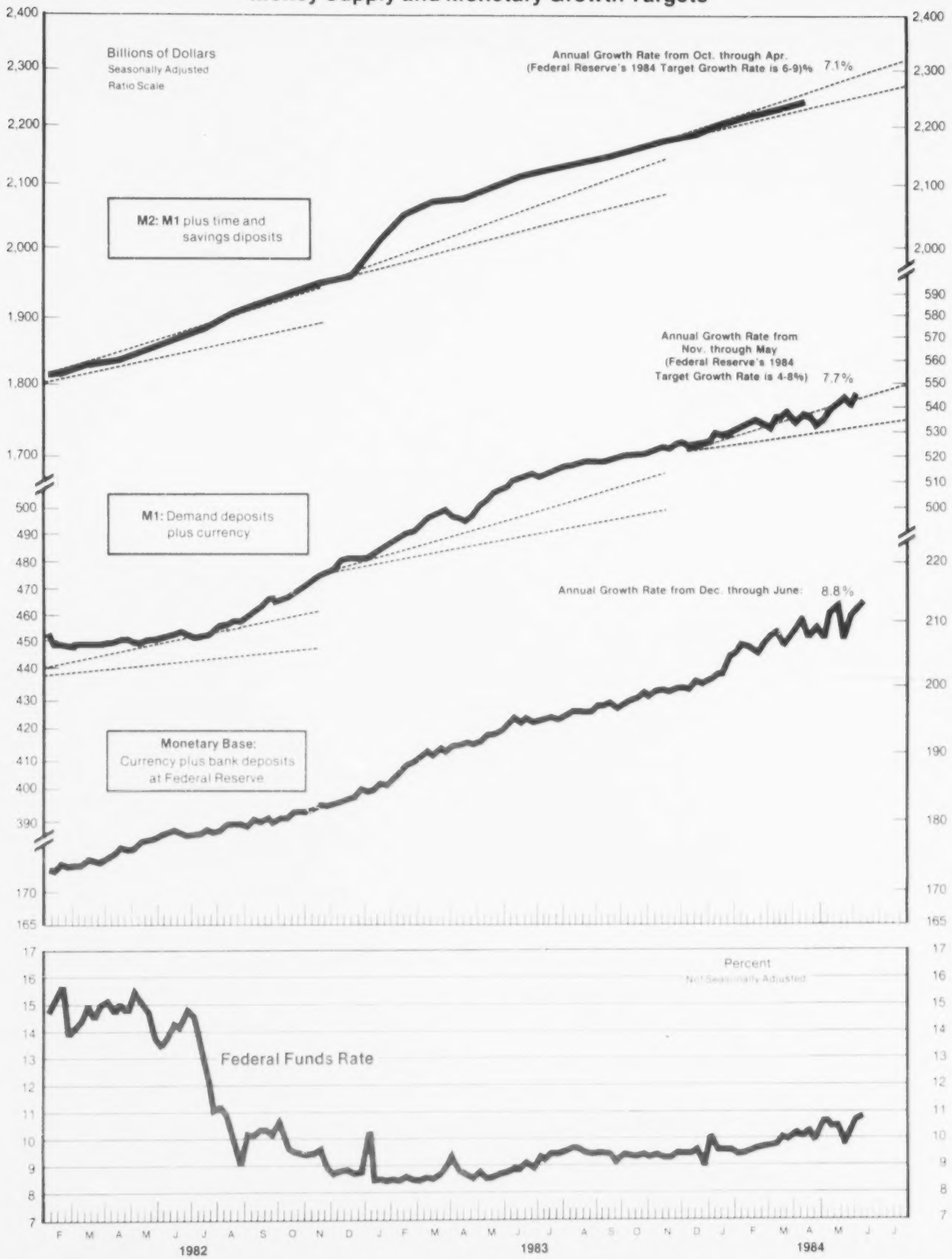
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)	Current Service (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	-34.4	-34

Sources: Office of Management and Budget, Congressional Budget Office



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Oct. through Apr. 7.1%
(Federal Reserve's 1984 Target Growth Rate is 6-9)%
M2: M1 plus time and savings diposits
Annual Growth Rate from Nov. through May 7.7%
(Federal Reserve's 1984 Target Growth Rate is 4-8%)
M1: Demand deposits plus currency
Annual Growth Rate from Dec. through June: 8.8%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1982
1983
1984

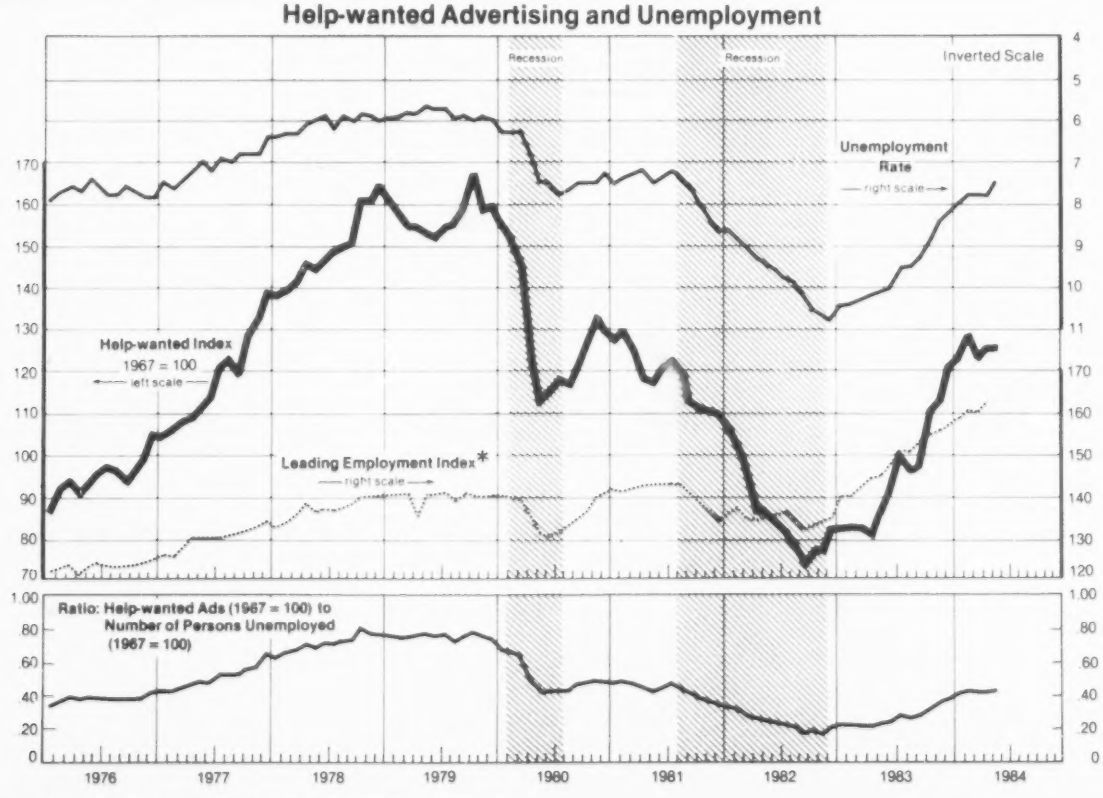
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Apr.	Mar.	Feb.	Apr.
Total Index 51 papers	124	124	129	81
New England	137	133	134	88
Boston	155	151	153	99
Hartford	129	121	124	90
Providence	81	84	78	49
Middle Atlantic	58	57	58	42
Albany	120	124	124	71
Allentown	150	123	141	110
New York	50	50	50	39
Philadelphia	52	49	52	35
Pittsburgh	51	52	56	41
Rochester	69	63	67	41
Syracuse	87	82	85	54
East North Central	72	71	76	42
Chicago	90	90	92	39
Cincinnati	90	87	93	64
Cleveland	48	44	50	34
Columbus	98	91	102	66
Dayton	59	57	59	43
Detroit	53	53	52	32
Gary	74	83	99	78
Indianapolis	74	58	82	52
Milwaukee	46	50	51	30
Toledo	61	78	96	62
West North Central	75	73	78	45
Kansas City	93	94	100	61
Minneapolis	71	68	73	32
Omaha	119	114	111	78
St. Louis	57	54	60	39
South Atlantic	141	149	157	96
Atlanta	259	261	265	156
Baltimore	80	93	128	67
Charlotte	138	141	131	80
Jacksonville	186	195	173	141
Miami	80	94	86	66
Richmond	86	86	87	59
Washington, D.C.	143	151	162	95
East South Central	122	117	122	86
Birmingham	n.a.	116	123	87
Knoxville	183	184	184	132
Louisville	61	61	67	42
Memphis	99	108	111	71
Nashville	185	155	161	128
West South Central	271	275r	286	184
Dallas	367	389	416	224
Houston	339	343	352	239
New Orleans	146	129	140	108
Oklahoma City	153	147r	150	122
San Antonio	209	201	193	137
Tulsa	138	137	139	102
Mountain	286	282	302	151
Denver	n.a.	208	215	117
Phoenix	400	409	428	204
Salt Lake City	270	246	295	143
Pacific	185	186	188	123
Los Angeles	148	150	153	92
Sacramento	297	290	301	198
San Bernardino	192	146	158	112
San Diego	357	380	382	249
San Francisco	184	188	183	126
Seattle	186	185	186	150
Percentage of papers with rising volume	53%	16%	63%r	24%
Unemployment rate	7.8%	7.8%	7.8%	10.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2p							

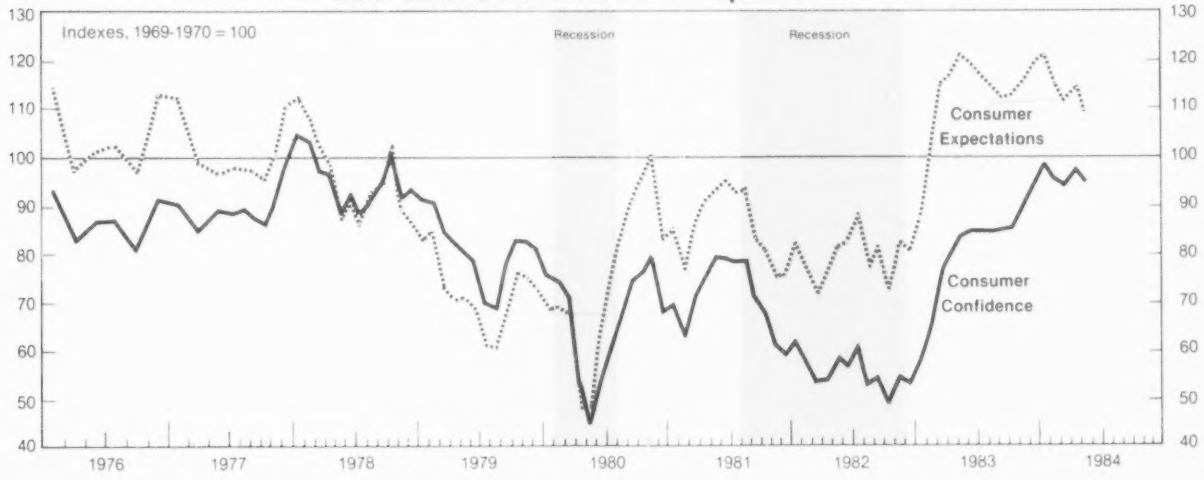
Buying Plans Index

1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4r	100.9p							

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

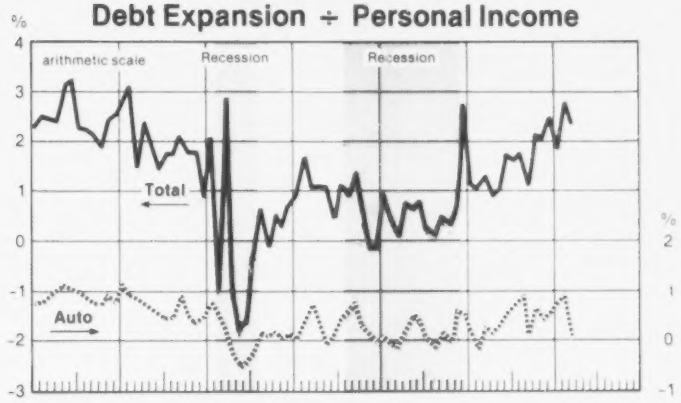
		Aggregate Purchasing Power (APP)	Discretionary Purchasing Power (DPP)	Discretionary Spending (DSP)	Discretionary Saving (DSA)	Ratios (DSP)/(DPP)	Ratios (DSP)/(APP)	Ratios Total Saving/ (APP)	Ratios Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

BEST AVAILABLE COPY

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

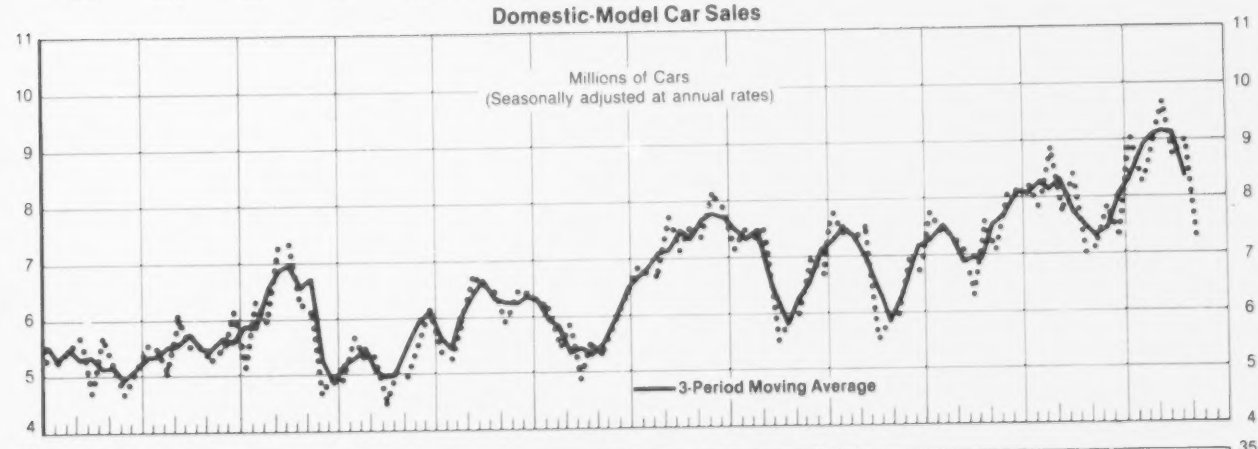
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales